

**ANNEXURE A :
OPERATING AND CAPITAL BUDGET**

MOOKGOPHONG LOCAL MUNICIPALITY

ANNUAL BUDGET

**MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS**



2014/15 TO 2016/17

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Annexure C	Tariffs for all Rates and Services
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Annexure E	Policies as set out in par 2.4

Abbreviations and Acronyms

CFO	Chief Financial Officer
CPI	Consumer Price Index
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
EC	Executive Committee
EE	Employment Equity
FBS	Free basic services
GDP	Gross domestic product
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Strategy
IT	Information Technology
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NERSA	National Electricity Regulator South Africa
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisations
PHC	Provincial Health Care
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
RSC	Regional Services Council
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

Over the long term, government aims to grow the economy so that all South Africans who wish to work can work. But given our history, it will take some time before we can reach this goal, and we urgently need to assist millions of South Africans who do not have access to an income, or who are otherwise vulnerable. Poverty alleviation is at the heart of government's agenda.

South Africa's infrastructure investment campaign is about providing goods and services that create a better working and living environment. Providing infrastructure such as electricity, water, transport, telecommunications, hospitals and housing allows businesses to grow and individuals to enjoy a better quality of life.

The Mookgophong municipality is committed to create a better working and living environment for all its residents.

The domestic economic outlook over the period ahead is uncertain, due to the current global economic environment. To achieve top-down budget restraint in a manner that promotes faster, more inclusive growth means that government has to moderate spending growth over the medium term. In addition to this, the composition of expenditure needs to change in order to support inclusive development, encouraging economic growth but simultaneously ensuring improvements in the delivery of social services. The aim is to achieve a more efficient balance between personnel, goods and services, and capital spending over the period ahead – and also between different classifications of spending within each of these categories of expenditure.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within Mookgophong. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

1.2 Council Resolutions

On 2014 the Council of Mookgophong Local Municipality considered the annual budget of the municipality for the financial year 2014/15. The Council approved and adopted the following resolutions:

1. The Council of Mookgophong Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 13;
 - 1.1.2. Budgeted Financial Performance (revenue by source and expenditure by standard classification) as contained in Table 14; and

- 1.1.3. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 15 ;
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 12.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 16;
 - 1.2.2. Budgeted Cash Flows as contained in Table 17.
2. The Council of Mookgophong Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014, the following tariffs as set out in Table 4 to 9:
 - 2.1. property rates
 - 2.2. electricity
 - 2.3. supply of water
 - 2.4. sanitation services
 - 2.5. solid waste services
 - 2.6. cemeteries
 - 2.7. fire fighting services
 - 2.8. town planning fees
 - 2.9. posters and distribution of handbills
 - 2.10 library fees
 - 2.11 supply of information
 - 2.12 permits; licensing and pound fees
 - 2.13 other credit control charges
 - 2.14 rental of municipal facilities
 - 2.15 rental of hostels
3. The Council of Mookgophong Local Municipality, approves the reviewed IDP for the period 2012/13 to 2016/17 as well as the Service Delivery and Budget Implementation Plan for the 2014/15 financial year as set out in Annexure A and B respectively;
4. To give proper effect to the municipality's annual budget, the Council of Mookgophong Local Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
 - 4.2. the adoption and implementation of the following policies, attached as Annexure C :
 - External Loans Policy
 - Reimbursement for Travel and Subsistence Policy
 - Budget Management Policy
 - Bad debts and write off Policy
 - Budget Principles Policy
 - Virement Policy
 - Tariff Policy
 - Rates Policy

- Treatment and Valuation of Inventory Policy
- Credit Control Policy
- Banking and Investment Policy
- Cellular Phone Policy
- Overtime Policy;
- Asset Management Policy
- Indigent Policy
- Supply Chain Management Policy

- 4.3 That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the capital and operating programme.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and "nice to have" items.

Key areas where savings were realized were on overtime, but also throughout all general cost items where expenses were decreased to the most essential.

The municipality has to focus on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers, of which the strict implementation of Council's Credit Control policy is most essential. The Council will monitor debt collection very close by means of monthly reports that will be discussed at executive committee meetings.

National Treasury's MFMA Circular No. 67, dated 12 March 2013, were used to guide the compilation of the 2013/14 MTREF. The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to re-prioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2014/15 MTREF process; and
- The municipality's lack to afford capital borrowing.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2013/14 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;

- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2013/14 MTREF

R thousand	Adjustments Budget 2013/14	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Total Operating Revenue	117,371	124,683	140,150	153,668
Total Operating Expenditure	129,912	135,928	147,151	158,126
Surplus/(Deficit) for the year	(12,541)	(11,245)	(7,001)	(4,458)
Total Capital Expenditure	13,251	14,985	15,782	16,581

Total operating expenditure has grown by 4.63per cent or R6,016million for the 2014/15 financial year when compared to the 2013/14adjustments Budget. Operational revenue will increase by6,23per cent , equating to a total revenue growth of R7,312million for the 2014/15 financial year, when compared to the 2013/14Adjustments budget.

It has to be noted that the municipality is still budgeting for a deficit as a result of the steep increase in the provision that had to be made for asset depreciation in terms of the introduction of GRAP 17 in 2011 to account for assets. This deficit shall decrease systematically over the following financial years to absorb the burden of high tariff increases.

The capital budget of R14,985 million for 2014/15 is 13,09 per cent more than the 2013/14 Adjustment Budget. The total portion of the capital budget will be funded from MIG funds. No capital projects will be carried forward from the 2013/14 financial year.

1.4 Operating Revenue Framework

For Mookgophong Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;

- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Mookgophong Municipality.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source										
Property rates	18 847	14 660	16 902	19 969	21 369	21 369	21 369	21 066	23 850	26 471
Service charges - electricity revenue	31 517	30 568	31 917	41 613	38 213	38 213	38 213	37 670	41 217	44 538
Service charges - water revenue	4 852	4 797	3 941	6 587	5 087	5 087	5 087	5 015	5 487	5 929
Service charges - sanitation revenue	3 041	3 454	3 473	4 747	4 747	4 747	4 747	4 680	5 121	5 533
Service charges - refuse revenue	2 689	3 105	3 379	4 879	5 179	5 179	5 179	5 105	5 586	6 036
Rental of facilities and equipment	210	66	148	119	1 619	1 619	1 619	163	178	193
Interest earned - external investments	1 016	251	298	40	40	40	40	40	44	47
Interest earned - outstanding debtors	1 748	2 149	2 932	3 200	3 700	3 700	3 700	4 100	4 486	4 848
Fines	–	91	43	181	181	181	181	74	80	87
Licences and permits	232	–	–	–	–	–	–	–	–	–
Agency services	2 913	3 527	4 602	3 492	3 492	3 492	3 492	5 124	5 606	6 058
Transfers recognised - operational	20 777	24 786	29 287	33 435	33 435	33 435	33 435	38 478	45 028	50 180
Other revenue	435	379	646	310	310	310	310	3 169	3 468	3 747
Gains on disposal of PPE	135	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	88 412	87 831	97 568	118 572	117 371	117 371	117 371	124 683	140 150	153 668

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Transfers from National Government is the largest revenue source, totalling R 38,478 (31%) of the total operating revenue. The second largest source is Electricity charges, totalling R 37,670 (30%). The third largest revenue source is Property Rates, totalling R 21,066 (17%) for the 2014/15 financial year. The increases in the Property rates, Water-, Sanitation- and Refuse – revenue increase rapidly over the respective financial years of the MTREF. This growth can be mainly attributed to the decreased share of the electricity surplus in the operating budget. Due to a slow increase in the income base, the municipality is increasingly dependent on external transfers receivable. The basis used to calculate budgeted income for rates and service charges is historical actual cash collected for each of the different services, a general increase in tariffs of 6% and an increased collection rate of 93%. Other cash related income is based on the relevant legislation and capacity of the municipality to collect.

The “other revenue” which consists of various items such as income received from, building plan fees, connection fees, cemetery fees, etc. is decreasing rapidly. Departments have been urged to review the tariffs of these items on an annual basis to ensure that it is cost reflective and market related and to implement strict internal control measures to ensure that this income source is sustainable.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 3 Operating Transfers and Grant Receipts

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		20 121	24 862	28 058	32 375	32 216	32 135	36 679	44 350	47 488
Local Government Equitable Share		18 371	22 822	25 758	29 014	29 014	29 014	33 945	41 433	44 369
Finance Management		1 000	1 250	1 500	1 650	1 650	1 650	1 800	1 950	2 100
Municipal Systems Improvement		750	790	800	890	890	890	934	967	1 019
PMU 5% (MIG)					821	662	581			
Provincial Government:		–	–	–	–	–	–	–	–	–
		–	–	–						
District Municipality:		300	–	–	–	–	–	–	–	–
<i>Waterberg DC Grant in Aid</i>		300	–	–						
Other grant providers:		–	–	1 000	1 000	1 000	1 000	1 134	–	–
<i>Expanded Public Works Programme</i>		–	–	1 000	1 000	1 000	1 000	1 134	–	–
Total Operating Transfers and Grants	5	20 421	24 862	29 058	33 375	33 216	33 135	37 813	44 350	47 488
<u>Capital Transfers and Grants</u>										
National Government:		8 054	13 536	16 420	14 852	13 252	11 052	15 766	16 271	16 815
Municipal Infrastructure Grant (MIG)		8 054	13 536	16 420	14 852	13 252	11 052	15 766	16 271	16 815
Provincial Government:		–	–	–	–	–	–	–	–	–
District Municipality:		–	–	–	–	–	–	–	–	–
Other grant providers:		–	–	–	–	–	–	–	–	–
Total Capital Transfers and Grants	5	8 054	13 536	16 420	14 852	13 252	11 052	15 766	16 271	16 815
TOTAL RECEIPTS OF TRANSFERS & GRANTS		28 475	38 398	45 478	48 227	46 468	44 187	53 579	60 621	64 303

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

The Municipality tends to keep increases in rates, tariffs and other charges as low as possible. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment. For the past years however tariff increases did not keep pace with the high levels of increased expenses and therefore the tariffs charged on certain of the services could not recover the cost to render these services.

The percentage increases of Eskom bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, fuel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. This adds to the contributing factor that the tariffs mentioned above have to increase beyond the official inflation rate of the Reserve Bank.

Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows. Refer to the attached **Tables 4 to 9** for all the relevant tariffs applicable to the 2014/15 financial year.

1.4.1 Property Rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

The implementation of Property Rates is regulated in terms of the Municipal Property Rates Act, and the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in previous budget processes and the Property Rates Policy of the Municipality has been amended accordingly.

The categories of rate-able properties for purposes of levying rates and the rates for the 2014/15 financial year based on a 3 per cent increase from 1 July 2014 as contained in the attached **Table 4**. As a result of the broader tax bases caused by the new valuation roll implemented in 2013 this lower increase could be afforded.

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it do with electricity, since demand growth outstrips supply. Consequently, it is necessary to review the level and structure of the water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the registered indigent consumers; and
- Water tariffs are designed to encourage efficient and sustainable consumption and discourage unnecessary usage of water.

A summary of the tariffs for all consumers are attached under **Table 5**. The tariff structure of the 2014/15 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption at a higher rate. All tariffs for the different category of consumers are increasing with an average of 6%.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure with an average of 8,06 per cent increase in the Eskom bulk electricity tariff to municipalities and will be effective from 1 July 2014.

Considering the Eskom increases, the consumer tariff had to be increased by 9 per cent to offset the additional bulk purchase cost from 1 July 2014. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

The attached **Table 6** indicates the impact of the proposed increases in electricity tariffs on the water charges for all categories of consumers.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the reticulation network was designed or strengthened in the early 1970's with an expected 20-25 year life-expectancy. The upgrading of the electricity network has therefore become a strategic priority, especially the substations and transmission lines.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers. It therefore became important to seek alternative funding as a strategy to improve the current shortfalls in the infrastructure.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff for all categories of sanitation consumers increase with 5 per cent with effect from 1 July 2014. This is based on the input cost assumptions related to water.

Table 7 as attached, compares the current tariffs and the tariffs for 2014/15:

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A tariff for all categories of waste removal service points increase with 5 per cent with effect from 1 July 2014. Higher increases will not be viable in 2014/15 owing to the significant of higher than inflation increases of other services. Any higher increases would be counter-productive and will result in affordability challenges for individual rate payers raising the risk associated with bad debt.

Table 8 compares current and proposed amounts payable from 1 July 2014.

1.4.6 Other Tariff Increases

Table 9 compares current and proposed tariffs for all other services

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Table 10 Summary of operating expenditure by standard classification item

Description	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type										
Employee related costs	35 905	36 189	42 351	42 894	42 894	42 894	42 894	46 410	50 118	54 176
Remuneration of councillors	2 088	2 479	2 858	3 034	3 284	3 284	3 284	3 346	3 661	3 956
Debt impairment	1 908	1 223	3 337	1 300	1 300	1 300	1 300	1 300	1 422	1 537
Depreciation & asset impairment	17 570	18 246	17 529	17 244	16 744	16 744	16 744	16 544	16 612	16 676
Finance charges	350	–	–	–	–	–	–	–	–	–
Bulk purchases	22 474	28 557	32 125	31 682	35 182	35 182	35 182	37 996	41 574	44 924
Other materials	8 497	3 758	4 156	10 232	7 731	7 731	7 731	7 347	9 676	11 047
Contracted services	6 856	4 430	7 431	5 743	6 943	6 943	6 943	5 868	6 421	6 938
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	15 703	18 645	17 787	19 033	15 833	15 833	15 833	17 118	17 667	18 872
Loss on disposal of PPE	–	–	–	–	–	–	–	–	–	–
Total Expenditure	111 351	113 527	127 575	131 162	129 912	129 912	129 912	135 928	147 152	158 126

The budgeted allocation **for employee related costs** for the 2014/15 financial year totals R46,410 million, which equals 34 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6,8 per cent for the 2014/15 financial year. An annual increase of 6.90 per cent has been included in the two outer years of the MTREF. As part of the Municipality's cost reprioritization and cash management strategy not all vacancies could be filled, but provision was made to fill the following positions :

Manager Corporate Services;
 Manager Technical Services;
 Divisional Manager Income;
 Sub-accountant Account Preparation;
 Divisional Manager Expenditure;
 Accountant Budget and Reporting;
 Divisional Manager Water;
 Divisional Manager Human Resources;

Divisional Manager Solid Waste and Cleansing;
Management Representative (Licensing and Regulation);

The cost associated with **the remuneration of councillors** is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The **provision of debt impairment** was determined based on an annual collection rate of 85 per cent and the Debt Write-off Policy of the Municipality. For the 2014/15 financial year this amount equates to R 1,3 million and escalates to R 1,5million by 2016/17. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R16,544 million for the 2014/15 financial year and equates to 12per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability.

The following table gives a breakdown of the main expenditure categories for the 2014/15 financial year.

Table 11 Main operational expenditure categories for the 2014/15 financial year

Expenditure Category	Amount R thousand	% of total budget
Employee costs	46,410	34%
Remuneration of councillors	3,346	3%
Debt Impairment	1,300	1%
Depreciation & asset impairment	16,544	12%
Bulk purchases	37,996	28%
Materials	7,347	5%
Contracted Services	5,868	4%
Other expenditure	17,117	13%
Total Expenditure	135,928	100%

Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2014/15 budget and MTREF provide for asset maintenance. An asset renewal strategy and arepairs and maintenance plan is crucial to support the expenses been budgeted for asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure :

Table 12 2014/15 Medium-term capital budget per vote and funding

Vote Description R thousand	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote										
Multi-year expenditure to be appropriated										
Vote 1 - 001 Political Office Bearers	591	21	–	–	–	–	–	–	–	–
Vote 2 - 002 Municipal Manager	6	–	40	–	–	–	–	–	–	–
Vote 3 - 003 Budget and Treasury	14	–	–	–	–	–	–	–	–	–
Vote 4 - 004 Landuse Management, Infrastructural Dev. & Planning	5 592	2 433	15 793	16 902	11 101	11 101	11 101	13 185	13 797	14 497
Vote 5 - 005 Corporate Services	279	–	–	–	–	–	–	–	–	–
Vote 6 - 006 Community and Social Services	6 214	–	–	2 000	5 000	5 000	5 000	1 800	1 985	2 084
Total Capital Expenditure - Vote	12 697	2 454	15 833	18 902	16 101	16 101	16 101	14 985	15 782	16 581

The following table provides a breakdown of budgeted capital expenditure for 2014/15:

Name of project	Funder	Amount
Roads and Storm water		
Upgrading of Internal Stormwater Ext. 1&2 LP/1477/R,ST/12/14	MIG	2 685 300.00
Water		
Upgrading of Welgevonden Purification Works Phase 2 LP/1103/w/08/12	MIG	7 000 000.00
Sanitation		
Sewer Outfall, reticulation and yard connection (Phomolong)	MIG	3 500 000.00
Community		
Upgrading Mookgophong Sport fields MIG/LP0933/CF/09/11	MIG	1 800 000.00
TOTAL CAPITAL PROJECTS		14 985 300.00

1.7 Annual Budget Tables

The following Tables 13 to 22 set out the municipality's 2014/15 budget and MTREF as approved by Council.

Table 13 - Budgeted Summary

Description R thousands	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
<u>Financial Performance</u>										
Property rates	18 847	14 660	16 902	19 969	21 369	21 369	21 369	21 066	23 850	26 471
Service charges	42 099	41 923	42 710	57 826	53 226	53 226	53 226	52 470	57 411	62 037
Investment revenue	1 016	251	298	40	40	40	40	40	44	47
Transfers recognised - operational	20 777	24 786	29 287	33 435	33 435	33 435	33 435	38 478	45 028	50 180
Other own revenue	5 673	6 212	8 371	7 302	9 301	9 301	9 301	12 629	13 819	14 932
Total Revenue (excluding capital transfers and contributions)	88 412	87 831	97 568	118 572	117 371	117 371	117 371	124 683	140 150	153 668
Employee costs	35 905	36 189	42 351	42 894	42 894	42 894	42 894	46 410	50 118	54 176
Remuneration of councillors	2 088	2 479	2 858	3 034	3 284	3 284	3 284	3 346	3 661	3 956
Depreciation & asset impairment	17 570	18 246	17 529	17 244	16 744	16 744	16 744	16 544	16 612	16 676
Finance charges	350	–	–	–	–	–	–	–	–	–
Materials and bulk purchases	30 971	32 315	36 281	41 914	42 913	42 913	42 913	45 343	51 250	55 971
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	24 467	24 298	28 555	26 076	24 076	24 076	24 076	24 286	25 511	27 346
Total Expenditure	111 351	113 527	127 575	131 162	129 912	129 912	129 912	135 928	147 152	158 126
Surplus/(Deficit)	(22 939)	(25 696)	(30 006)	(12 590)	(12 541)	(12 541)	(12 541)	(11 245)	(7 002)	(4 458)
Transfers recognised - capital	5 592	3 973	18 679	14 852	13 251	13 251	13 251	14 985	15 782	16 581
Contributions recognised - capital & contributed assets	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	(17 347)	(21 723)	(11 328)	2 262	710	710	710	3 740	8 780	12 123
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year	(17 347)	(21 723)	(11 328)	2 262	710	710	710	3 740	8 780	12 123
<u>Capital expenditure & funds sources</u>										
Capital expenditure	12 697	2 454	15 833	18 902	16 101	16 101	16 101	14 985	15 782	16 581
Transfers recognised - capital	5 592	2 433	15 803	14 852	13 251	13 251	13 251	14 985	15 782	16 581
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–	–
Internally generated funds	7 104	21	30	4 050	2 850	2 850	2 850	–	–	–
Total sources of capital funds	12 697	2 454	15 833	18 902	16 101	16 101	16 101	14 985	15 782	16 581
<u>Financial position</u>										
Total current assets	22 949	30 889	32 859	30 049	30 049	44 744	44 744	42 489	41 606	41 238
Total non current assets	210 898	196 899	225 574	129 168	129 168	206 023	206 023	163 864	115 763	107 044
Total current liabilities	31 454	40 381	47 129	16 079	16 079	29 306	29 306	29 273	29 097	64 181
Total non current liabilities	14 678	16 712	23 254	–	–	23 254	23 254	24 579	27 254	29 784
Community wealth/Equity	187 715	170 695	188 050	143 138	143 138	198 207	198 207	152 501	101 018	54 317
<u>Cash flows</u>										
Net cash from (used) operating	(5 757)	9 178	11 406	21 586	21 586	21 586	11 745	18 403	12 446	17 471
Net cash from (used) investing	508	(1 152)	(18 298)	(22 352)	(22 352)	(22 352)	(11 633)	(14 985)	(15 782)	(16 581)
Net cash from (used) financing	(193)	2	(225)	–	–	–	–	–	–	–
Cash/cash equivalents at the year end	(6 904)	1 124	(5 992)	846	846	846	1 724	5 142	1 806	2 696
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	(4 113)	1 124	(5 992)	14 648	14 648	1 300	1 300	1 800	2 130	2 240
Application of cash and investments	(8 517)	(11 612)	(3 594)	(3 795)	(3 978)	(26 083)	(20 264)	(20 667)	(17 776)	(16 343)
Balance - surplus (shortfall)	4 404	12 737	(2 398)	18 443	18 626	27 383	21 564	22 467	19 906	18 583
<u>Asset management</u>										
Asset register summary (WDV)	210 898	334 504	224 592	228 510	228 510	240 074	256 647	256 647	274 490	293 183
Depreciation & asset impairment	17 570	18 246	17 529	17 244	16 744	16 744	16 544	16 544	16 612	16 676
Renewal of Existing Assets	–	–	–	1 400	–	–	–	–	–	–
Repairs and Maintenance	5 852	2 710	3 312	8 885	6 385	6 385	6 000	6 000	8 203	9 455
<u>Free services</u>										
Cost of Free Basic Services provided	1 620	1 680	1 790	1 650	1 757	1 757	1 950	1 950	2 118	2 270
Revenue cost of free services provided	9 919	10 801	11 271	13 207	13 707	13 707	14 739	14 739	15 844	17 725
<u>Households below minimum service level</u>										
Water:	1	1	1	1	1	1	1	1	1	1
Sanitation/sewerage:	0	0	0	0	0	0	0	0	0	0
Refuse:	3	3	3	3	3	3	3	3	3	3

Table 14 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Revenue - Standard										
<i>Governance and administration</i>		16 868	18 394	22 335	26 048	27 948	27 948	31 054	33 665	36 920
Executive and council		15 394	65	60	2 720	2 720	2 720	2 870	2 027	2 033
Budget and treasury office		1 474	18 155	22 227	23 213	25 113	25 113	28 069	31 512	34 751
Corporate services		–	174	49	115	115	115	115	126	136
<i>Community and public safety</i>		7 397	992	1 762	3 038	7 538	7 538	2 825	3 107	3 296
Community and social services		1 407	135	197	2 151	6 651	6 651	195	213	231
Sport and recreation		1 992	–	–	1	1	1	1 801	1 986	2 085
Public safety		3 998	857	1 564	887	887	887	830	908	981
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		17 023	30 473	39 005	38 465	40 667	40 667	42 757	50 740	56 425
Planning and development		1 199	30 470	31 444	33 595	33 595	33 595	40 070	47 883	53 423
Road transport		15 824	3	7 560	4 870	7 072	7 072	2 687	2 856	3 002
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		52 716	41 945	53 146	65 873	54 469	54 469	63 032	68 422	73 607
Electricity		32 434	30 578	31 936	41 645	38 245	38 245	37 702	41 252	44 576
Water		5 984	4 802	14 351	10 605	5 845	5 845	12 033	14 457	13 451
Waste water management		9 057	3 454	3 473	8 734	5 190	5 190	8 182	7 116	9 533
Waste management		5 241	3 111	3 385	4 889	5 189	5 189	5 115	5 597	6 048
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Revenue - Standard	2	94 004	91 804	116 247	133 424	130 622	130 622	139 669	155 932	170 249
Expenditure - Standard	-									
<i>Governance and administration</i>		38 550	41 284	48 947	46 070	47 120	47 120	46 703	49 167	52 398
Executive and council		15 152	20 706	15 154	29 372	30 122	30 122	30 657	31 719	33 638
Budget and treasury office		23 398	12 726	17 526	8 493	8 493	8 493	8 607	9 417	10 176
Corporate services		–	7 852	16 267	8 206	8 506	8 506	7 440	8 030	8 584
<i>Community and public safety</i>		6 445	6 447	8 170	9 214	8 074	8 074	8 294	9 216	10 231
Community and social services		1 214	1 797	2 857	2 207	1 267	1 267	1 280	1 401	1 786
Sport and recreation		2 000	1 878	2 296	2 870	2 770	2 770	2 747	3 146	3 400
Public safety		3 231	2 772	3 017	4 137	4 037	4 037	4 267	4 669	5 045
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		24 121	13 028	9 332	17 228	14 469	14 469	16 920	18 700	20 055
Planning and development		22 070	3 730	3 679	5 751	5 391	5 391	5 980	6 488	6 971
Road transport		2 051	9 298	5 653	11 478	9 078	9 078	10 940	12 212	13 084
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		42 235	52 768	61 125	58 649	60 249	60 249	64 011	70 070	75 442
Electricity		31 553	36 038	40 659	40 622	42 222	42 222	45 462	50 056	54 024
Water		4 932	6 502	10 503	6 363	6 263	6 263	6 787	7 294	7 769
Waste water management		3 042	5 890	5 244	6 232	6 332	6 332	5 888	6 186	6 611
Waste management		2 708	4 338	4 720	5 432	5 432	5 432	5 874	6 533	7 038
<i>Other</i>	4	–	–	–	–	–	–	–	–	–
Total Expenditure - Standard	3	111 351	113 527	127 575	131 162	129 912	129 912	135 928	147 152	158 126
Surplus/(Deficit) for the year		(17 347)	(21 723)	(11 328)	2 262	710	710	3 740	8 780	12 123

Table 15 A - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote	1									
Vote 1 - 001 Political Office Bearers		135	36	48	–	–	–	–	–	–
Vote 2 - 002 Municipal Manager		19 138	23 624	26 569	29 904	29 904	29 904	34 797	42 146	47 243
Vote 3 - 003 Budget and Treasury		22 330	18 155	22 227	24 903	26 803	26 803	29 909	33 506	36 749
Vote 4 - 004 Landuse Management, Infrastructural Dev. & Planning		45 526	42 841	59 062	67 745	58 243	58 243	62 495	66 624	71 561
Vote 5 - 005 Corporate Services		88	190	49	145	145	145	145	159	171
Vote 6 - 006 Community and Social Services		6 787	6 959	8 292	10 727	15 527	15 527	12 322	13 498	14 525
Total Revenue by Vote	2	94 004	91 804	116 247	133 424	130 622	130 622	139 669	155 932	170 249
Expenditure by Vote to be appropriated	1									
Vote 1 - 001 Political Office Bearers		7 061	7 038	8 009	9 207	9 457	9 457	8 652	9 302	10 038
Vote 2 - 002 Municipal Manager		5 429	9 586	6 950	11 434	11 034	11 034	12 065	12 616	13 139
Vote 3 - 003 Budget and Treasury		9 183	12 726	17 526	13 140	13 140	13 140	13 884	15 172	16 238
Vote 4 - 004 Landuse Management, Infrastructural Dev. & Planning		66 096	60 527	65 193	70 964	69 064	69 064	74 299	80 368	86 481
Vote 5 - 005 Corporate Services		8 992	11 619	16 267	11 162	12 062	12 062	10 794	11 686	12 521
Vote 6 - 006 Community and Social Services		14 590	12 031	13 629	15 254	15 154	15 154	16 233	18 008	19 710
Total Expenditure by Vote	2	111 351	113 527	127 575	131 162	129 912	129 912	135 928	147 152	158 126
Surplus/(Deficit) for the year	2	(17 347)	(21 723)	(11 328)	2 262	710	710	3 740	8 780	12 123

Table 15 B - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Revenue by Vote	1									
Vote 1 - 001 Political Office Bearers		135	36	48	–	–	–	–	–	–
1.1 - 101 Councillors		135	36	48	–	–	–	–	–	–
1.2 - 102 Full time Councillor's office		–	–	–	–	–	–	–	–	–
Vote 2 - 002 Municipal Manager		19 138	23 624	26 569	29 904	29 904	29 904	34 797	42 146	47 243
2.1 - 201 Office : Municipal Manager		17	12	11	–	–	–	–	–	–
2.2 - 202 Internal Audit Unit		–	–	–	–	–	–	–	–	–
2.3 - 203 Strategic Management		19 121	23 612	26 558	29 904	29 904	29 904	34 797	42 146	47 243
Vote 3 - 003 Budget and Treasury		22 330	18 155	22 227	24 903	26 803	26 803	29 909	33 506	36 749
3.1 - 301 Office : Chief Financial Officer		2 326	1 278	2 254	1 690	1 690	1 690	1 840	1 994	1 997
3.2 - 302 Supply Chain Management		2	36	97	–	–	–	–	–	–
3.3 - 303 Debtor's Management and Income		19 987	16 827	19 843	23 212	25 112	25 112	28 068	31 511	34 750
3.4 - 304 Financial Accounting and Expenditure		15	13	32	1	1	1	1	1	1
Vote 4 - 004 Landuse Management, Infrastructural Dev. & Planning		45 526	42 841	59 062	67 745	58 243	58 243	62 495	66 624	71 561
4.1 - 401 Office : Landuse Man., Infr. Dev. Manager		22	1	1 001	1 000	1 000	1 000	1 000	–	–
4.2 - 402 Roads		5	3	7 560	4 870	7 072	7 072	2 687	2 856	3 002
4.3 - 403 Water		4 932	4 802	14 351	10 605	5 845	5 845	12 033	14 457	13 451
4.4 - 404 Waste Water Management		3 041	3 453	3 473	8 733	5 190	5 190	8 182	7 116	9 533
4.5 - 405 Electricity		31 553	30 579	31 936	41 646	38 245	38 245	37 702	41 252	44 576
4.6 - 406 Landuse Management		24	30	31	70	70	70	70	77	83
4.7 - 407 Project Management		5 949	3 973	710	821	821	821	821	866	916
4.8 - 408 Street Lighting		–	–	–	–	–	–	–	–	–
4.9 - 409 Stormwater		–	–	–	–	–	–	–	–	–
Vote 5 - 005 Corporate Services		88	190	49	145	145	145	145	159	171
5.1 - 501 Office : Corporate Services Manager		8	16	6	30	30	30	30	33	35
5.2 - 502 Human Resource		–	154	–	60	60	60	60	66	71
5.3 - 503 Administration and Council Support		–	–	–	–	–	–	–	–	–
5.4 - 504 Legal Services		–	–	–	–	–	–	–	–	–
5.5 - 505 Information Technology		–	–	–	–	–	–	–	–	–
5.6 - 506 Property Services		80	20	43	55	55	55	55	60	65
Vote 6 - 006 Community and Social Services		6 787	6 959	8 292	10 727	15 527	15 527	12 322	13 498	14 525
6.1 - 601 Office : Community & Social Manager		–	–	–	–	–	–	–	–	–
6.2 - 602 Law Enforcement		202	89	38	180	180	180	73	80	86
6.3 - 603 Library Services		655	26	21	28	28	28	28	30	33
6.4 - 604 Environmental Management and Recreation		–	0	–	1	1	1	1 801	1 986	2 085
6.5 - 605 Solid Waste Management and Cleansing		2 709	3 111	3 385	4 889	5 189	5 189	5 115	5 597	6 048
6.6 - 606 Cemeteries		63	63	71	2 060	5 060	5 060	60	66	71
6.7 - 607 Emergency Services		721	768	1 527	707	707	707	757	828	895
6.8 - 608 Licensing & Regulations		2 308	2 855	3 145	2 800	2 800	2 800	4 382	4 795	5 181
6.9 - 609 Hostels and Public Buildings		129	46	105	63	1 563	1 563	108	118	127
6.10 - 610 Rest and Service Areas		–	–	–	–	–	–	–	–	–
Total Revenue by Vote	2	94 004	91 804	116 247	133 424	130 622	130 622	139 669	155 932	170 249
Expenditure by Vote	1									
Vote 1 - 001 Political Office Bearers		7 061	7 038	8 009	9 207	9 457	9 457	8 652	9 302	10 038
1.1 - 101 Councillors		5 668	5 298	5 998	6 649	6 899	6 899	6 341	6 923	7 468
1.2 - 102 Full time Councillor's office		1 393	1 740	2 011	2 558	2 558	2 558	2 311	2 379	2 570
Vote 2 - 002 Municipal Manager		5 429	9 586	6 950	11 434	11 034	11 034	12 065	12 616	13 139
2.1 - 201 Office : Municipal Manager		4 086	6 993	3 587	7 545	7 545	7 545	8 029	8 254	8 466
2.2 - 202 Internal Audit Unit		247	650	1 032	1 594	1 494	1 494	1 890	2 068	2 234
2.3 - 203 Strategic Management		1 096	1 944	2 331	2 296	1 996	1 996	2 147	2 294	2 439
Vote 3 - 003 Budget and Treasury		9 183	12 726	17 526	13 140	13 140	13 140	13 884	15 172	16 238
3.1 - 301 Office : Chief Financial Officer		8 094	3 978	4 798	4 647	4 647	4 647	5 278	5 755	6 062
3.2 - 302 Supply Chain Management		264	1 103	1 153	1 176	1 176	1 176	1 384	1 514	1 636
3.3 - 303 Debtor's Management and Income		825	6 061	8 638	4 957	4 957	4 957	4 964	5 432	5 870

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3.4 - 304 Financial Accounting and Expenditure		–	1 583	2 938	2 360	2 360	2 360	2 258	2 471	2 670
Vote 4 - 004 Landuse Management, Infrastructural Dev. & Planning		66 096	60 527	65 193	70 964	69 064	69 064	74 299	80 368	86 481
4.1 - 401 Office : Landuse Man., Infr. Dev. Manager		19 904	2 242	1 855	2 462	2 462	2 462	2 272	1 392	1 504
4.2 - 402 Roads		4 815	9 298	5 653	11 478	9 078	9 078	10 940	12 212	13 084
4.3 - 403 Water		5 984	6 502	10 503	6 263	6 263	6 263	6 787	7 294	7 769
4.4 - 404 Waste Water Management		3 466	5 811	4 131	6 177	5 577	5 577	5 156	5 386	5 747
4.5 - 405 Electricity		31 083	36 038	40 659	40 622	42 222	42 222	45 462	50 056	54 024
4.6 - 406 Landuse Management		105	120	984	1 340	1 340	1 340	1 460	1 598	1 726
4.7 - 407 Project Manangement		104	21	609	780	780	780	909	995	1 075
4.8 - 408 Street Lighting		635	461	475	858	758	758	752	823	890
4.9 - 409 Stormwater		–	34	323	985	585	585	560	613	662
Vote 5 - 005 Corporate Services		8 992	11 619	16 267	11 162	12 062	12 062	10 794	11 686	12 521
5.1 - 501 Office : Corporate Services Manager		5 948	3 767	4 975	2 956	3 556	3 556	3 354	3 655	3 937
5.2 - 502 Human Resource		1 535	2 776	6 604	2 377	2 377	2 377	1 628	1 781	1 925
5.3 - 503 Administration and Council Support		–	1 778	1 830	2 278	2 278	2 278	2 316	2 535	2 739
5.4 - 504 Legal Services		945	1 453	1 517	1 027	1 627	1 627	1 123	1 229	1 328
5.5 - 505 Information Technology		524	691	1 116	1 257	957	957	1 105	1 209	1 306
5.6 - 506 Property Services		40	1 154	225	1 267	1 267	1 267	1 267	1 277	1 286
Vote 6 - 006 Community and Social Services		14 590	12 031	13 629	15 254	15 154	15 154	16 233	18 008	19 710
6.1 - 601 Office : Community & Social Manager		4	17	749	960	960	960	1 182	1 294	1 398
6.2 - 602 Law Enforcement		1 609	1 790	2 030	2 573	2 573	2 573	2 758	3 017	3 261
6.3 - 603 Library Services		22	690	905	539	539	539	537	588	635
6.4 - 604 Environmental Management and Recreation		1 995	1 878	2 296	2 870	2 770	2 770	2 747	3 146	3 400
6.5 - 605 Solid Waste Management and Cleansing		5 824	4 338	4 720	5 432	5 432	5 432	5 874	6 533	7 038
6.6 - 606 Cemeteries		162	202	413	491	491	491	506	553	871
6.7 - 607 Emergency Services		531	521	512	707	707	707	757	828	895
6.8 - 608 Licensing & Regulations		1 858	1 645	1 214	1 275	1 275	1 275	1 464	1 602	1 731
6.9 - 609 Hostels and Public Buildings		2 575	905	790	237	237	237	237	259	280
6.10 - 610 Rest and Service Areas		10	45	–	171	171	171	171	187	202
		–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	2	111 351	113 527	127 575	131 162	129 912	129 912	135 928	147 152	158 126
Surplus/(Deficit) for the year	2	(17 347)	(21 723)	(11 328)	2 262	710	710	3 740	8 780	12 123

Table 16 - Budgeted Financial Performance (revenue by source and expenditure by type)

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue By Source											
Property rates	2	18 847	14 660	16 902	19 969	21 369	21 369	21 369	21 066	23 850	26 471
Property rates - penalties & collection charges		–	–	–	–	–	–	–	–	–	–
Service charges - electricity revenue	2	31 517	30 568	31 917	41 613	38 213	38 213	38 213	37 670	41 217	44 538
Service charges - water revenue	2	4 852	4 797	3 941	6 587	5 087	5 087	5 087	5 015	5 487	5 929
Service charges - sanitation revenue	2	3 041	3 454	3 473	4 747	4 747	4 747	4 747	4 680	5 121	5 533
Service charges - refuse revenue	2	2 689	3 105	3 379	4 879	5 179	5 179	5 179	5 105	5 586	6 036
Service charges - other		–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment		210	66	148	119	1 619	1 619	1 619	163	178	193
Interest earned - external investments		1 016	251	298	40	40	40	40	40	44	47
Interest earned - outstanding debtors		1 748	2 149	2 932	3 200	3 700	3 700	3 700	4 100	4 486	4 848
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines		–	91	43	181	181	181	181	74	80	87
Licences and permits		232	–	–	–	–	–	–	–	–	–
Agency services		2 913	3 527	4 602	3 492	3 492	3 492	3 492	5 124	5 606	6 058
Transfers recognised - operational		20 777	24 786	29 287	33 435	33 435	33 435	33 435	38 478	45 028	50 180
Other revenue	2	435	379	646	310	310	310	310	3 169	3 468	3 747
Gains on disposal of PPE		135	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		88 412	87 831	97 568	118 572	117 371	117 371	117 371	124 683	140 150	153 668
Expenditure By Type											
Employee related costs	2	35 905	36 189	42 351	42 894	42 894	42 894	42 894	46 410	50 118	54 176
Remuneration of councillors		2 088	2 479	2 858	3 034	3 284	3 284	3 284	3 346	3 661	3 956
Debt impairment	3	1 908	1 223	3 337	1 300	1 300	1 300	1 300	1 300	1 422	1 537
Depreciation & asset impairment	2	17 570	18 246	17 529	17 244	16 744	16 744	16 744	16 544	16 612	16 676
Finance charges		350	–	–	–	–	–	–	–	–	–
Bulk purchases	2	22 474	28 557	32 125	31 682	35 182	35 182	35 182	37 996	41 574	44 924
Other materials	8	8 497	3 758	4 156	10 232	7 731	7 731	7 731	7 347	9 676	11 047
Contracted services		6 856	4 430	7 431	5 743	6 943	6 943	6 943	5 868	6 421	6 938
Transfers and grants		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	15 703	18 645	17 787	19 033	15 833	15 833	15 833	17 118	17 667	18 872
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		111 351	113 527	127 575	131 162	129 912	129 912	129 912	135 928	147 152	158 126
Surplus/(Deficit)		(22 939)	(25 696)	(30 006)	(12 590)	(12 541)	(12 541)	(12 541)	(11 245)	(7 002)	(4 458)
Transfers recognised - capital		5 592	3 973	18 679	14 852	13 251	13 251	13 251	14 985	15 782	16 581
Contributions recognised - capital		–	–	–	–	–	–	–	–	–	–
Contributed assets		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		(17 347)	(21 723)	(11 328)	2 262	710	710	710	3 740	8 780	12 123
Taxation		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after taxation		(17 347)	(21 723)	(11 328)	2 262	710	710	710	3 740	8 780	12 123
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to municipality		(17 347)	(21 723)	(11 328)	2 262	710	710	710	3 740	8 780	12 123
Share of surplus/ (deficit) of associate	7	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) for the year		(17 347)	(21 723)	(11 328)	2 262	710	710	710	3 740	8 780	12 123

Table 17 - Budgeted Capital Expenditure by Vote, standard classification and funding

Vote Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - 001 Political Office Bearers		591	21	-	-	-	-	-	-	-	-
Vote 2 - 002 Municipal Manager		6	-	40	-	-	-	-	-	-	-
Vote 3 - 003 Budget and Treasury		14	-	-	-	-	-	-	-	-	-
Vote 4 - 004 Landuse Management, Infrastructural Dev. & Planning		5 592	2 433	15 793	16 902	11 101	11 101	11 101	13 185	13 797	14 497
Vote 5 - 005 Corporate Services		279	-	-	-	-	-	-	-	-	-
Vote 6 - 006 Community and Social Services		6 214	-	-	2 000	5 000	5 000	5 000	1 800	1 985	2 084
Capital multi-year expenditure sub-total	7	12 697	2 454	15 833	18 902	16 101	16 101	16 101	14 985	15 782	16 581
Single-year expenditure to be appropriated	2										
Vote 1 - 001 Political Office Bearers		-	-	-	-	-	-	-	-	-	-
Vote 2 - 002 Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - 003 Budget and Treasury		-	-	-	-	-	-	-	-	-	-
Vote 4 - 004 Landuse Management, Infrastructural Dev. & Planning		-	-	-	-	-	-	-	-	-	-
Vote 5 - 005 Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 6 - 006 Community and Social Services		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		12 697	2 454	15 833	18 902	16 101	16 101	16 101	14 985	15 782	16 581
Capital Expenditure - Standard											
Governance and administration		891	21	40	-	-	-	-	-	-	-
Executive and council		598	21	40	-	-	-	-	-	-	-
Budget and treasury office		14	-	-	-	-	-	-	-	-	-
Corporate services		279	-	-	-	-	-	-	-	-	-
Community and public safety		2 214	-	-	2 000	5 000	5 000	5 000	1 800	1 985	2 084
Community and social services		2 214	-	-	2 000	5 000	5 000	5 000	-	-	-
Sport and recreation		-	-	-	-	-	-	-	1 800	1 985	2 084
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		2 693	711	6 630	6 068	7 070	7 070	7 070	2 685	2 854	3 000
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		2 693	711	6 630	6 068	7 070	7 070	7 070	2 685	2 854	3 000
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		6 899	1 722	9 163	10 834	4 031	4 031	4 031	10 500	10 943	11 497
Electricity		569	-	-	850	850	850	850	-	-	-
Water		2 330	1 722	9 163	4 000	740	740	740	7 000	8 950	7 500
Waste water management		-	-	-	5 984	2 441	2 441	2 441	3 500	1 993	3 997
Waste management		4 000	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	12 697	2 454	15 833	18 902	16 101	16 101	16 101	14 985	15 782	16 581
Funded by:											
National Government		5 592	2 433	15 803	14 852	13 251	13 251	13 251	14 985	15 782	16 581
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	5 592	2 433	15 803	14 852	13 251	13 251	13 251	14 985	15 782	16 581
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		7 104	21	30	4 050	2 850	2 850	2 850	-	-	-
Total Capital Funding	7	12 697	2 454	15 833	18 902	16 101	16 101	16 101	14 985	15 782	16 581

Table 18 - Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
Current assets											
Cash		6	6 543	340	14 648	14 648	1 300	1 300	1 800	2 130	2 240
Call investment deposits	1	2 791	–	–	–	–	–	–	–	–	–
Consumer debtors	1	15 741	22 181	30 739	10 205	10 205	41 739	41 739	38 849	37 555	37 015
Other debtors		2 075	744	766	2 468	2 468	500	500	500	500	500
Current portion of long-term receivables		728	–	–	–	–	–	–	–	–	–
Inventory	2	1 608	1 421	1 015	2 728	2 728	1 205	1 205	1 340	1 421	1 483
Total current assets		22 949	30 889	32 859	30 049	30 049	44 744	44 744	42 489	41 606	41 238
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		10 251	10 251	11 564	–	–	11 564	11 564	11 564	11 564	11 564
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	200 269	186 402	213 859	129 168	129 168	194 459	194 459	152 300	104 199	95 480
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		378	246	151	–	–	–	–	–	–	–
Other non-current assets		–	–	–	–	–	–	–	–	–	–
Total non current assets		210 898	196 899	225 574	129 168	129 168	206 023	206 023	163 864	115 763	107 044
TOTAL ASSETS		233 847	227 788	258 433	159 217	159 217	250 767	250 767	206 353	157 369	148 282
LIABILITIES											
Current liabilities											
Bank overdraft	1	6 910	5 418	6 332	–	–	–	–	–	–	–
Borrowing	4	193	264	40	–	–	–	–	–	–	–
Consumer deposits		2 735	3 075	3 389	3 220	3 220	3 220	3 220	3 470	3 830	4 250
Trade and other payables	4	17 449	28 033	33 218	9 000	9 000	21 936	21 936	21 525	20 738	55 104
Provisions		4 167	3 590	4 150	3 859	3 859	4 150	4 150	4 278	4 529	4 827
Total current liabilities		31 454	40 381	47 129	16 079	16 079	29 306	29 306	29 273	29 097	64 181
Non current liabilities											
Borrowing		69	–	–	–	–	–	–	–	–	–
Provisions		14 609	16 712	23 254	–	–	23 254	23 254	24 579	27 254	29 784
Total non current liabilities		14 678	16 712	23 254	–	–	23 254	23 254	24 579	27 254	29 784
TOTAL LIABILITIES		46 132	57 093	70 383	16 079	16 079	52 560	52 560	53 852	56 351	93 965
NET ASSETS	5	187 715	170 695	188 050	143 138	143 138	198 207	198 207	152 501	101 018	54 317
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		187 715	170 695	188 050	143 138	143 138	198 207	198 207	152 501	101 018	54 317
Reserves	4	–	–	–	–	–	–	–	–	–	–
Minorities' interests		–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	187 715	170 695	188 050	143 138	143 138	198 207	198 207	152 501	101 018	54 317

Table 19 - Budgeted Cash Flows

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other		96 896	104 686	69 852	85 917	85 917	85 917	74 361	82 136	85 284	88 459
Government - operating	1	20 121	24 862	29 287	32 614	32 614	32 614	33 336	38 478	39 836	41 963
Government - capital	1	8 054	13 536	18 679	15 633	15 633	15 633	11 633	14 985	15 782	16 581
Interest		–	251	298	40	40	40	40	40	40	40
Dividends		–	–	–	–	–	–	–	–	–	–
Payments											
Suppliers and employees		(130 828)	(134 157)	(106 709)	(112 618)	(112 618)	(112 618)	(107 625)	(117 236)	(128 496)	(129 572)
Finance charges		–	–	–	–	–	–	–	–	–	–
Transfers and Grants	1	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES		(5 757)	9 178	11 406	21 586	21 586	21 586	11 745	18 403	12 446	17 471
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		(185)	–	–	–	–	–	–	–	–	–
Decrease (Increase) in non-current debtors		–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables		–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments		13 359	2 791	–	–	–	–	–	–	–	–
Payments											
Capital assets		(12 666)	(3 942)	(18 298)	(22 352)	(22 352)	(22 352)	(11 633)	(14 985)	(15 782)	(16 581)
NET CASH FROM/(USED) INVESTING ACTIVITIES		508	(1 152)	(18 298)	(22 352)	(22 352)	(22 352)	(11 633)	(14 985)	(15 782)	(16 581)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		(193)	2	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–	–	–	–
Payments											
Repayment of borrowing		–	–	(225)	–	–	–	–	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES		(193)	2	(225)	–	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD		(5 442)	8 029	(7 116)	(766)	(766)	(766)	112	3 418	(3 336)	890
Cash/cash equivalents at the year begin:	2	(1 462)	(6 904)	1 124	1 612	1 612	1 612	1 612	1 724	5 142	1 806
Cash/cash equivalents at the year end:	2	(6 904)	1 124	(5 992)	846	846	846	1 724	5 142	1 806	2 696

Table 20 - Budgeted Cash backed reserves / accumulated surplus reconcillation

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available											
Cash/cash equivalents at the year end	1	(6 904)	1 124	(5 992)	846	846	846	1 724	5 142	1 806	2 696
Other current investments > 90 days		2 791	0	0	13 802	13 802	454	(424)	(3 342)	324	(456)
Non current assets - Investments	1	–	–	–	–	–	–	–	–	–	–
Cash and investments available:		(4 113)	1 124	(5 992)	14 648	14 648	1 300	1 300	1 800	2 130	2 240
Application of cash and investments											
Unspent conditional transfers		11 843	17 954	9 601	–	–	–	–	–	–	–
Unspent borrowing		–	–	–	–	–	–	–	–	–	–
Statutory requirements	2										
Other working capital requirements	3	(20 360)	(29 566)	(13 195)	(3 795)	(3 978)	(26 083)	(20 264)	(20 667)	(17 776)	(16 343)
Other provisions											
Long term investments committed	4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		(8 517)	(11 612)	(3 594)	(3 795)	(3 978)	(26 083)	(20 264)	(20 667)	(17 776)	(16 343)
Surplus(shortfall)		4 404	12 737	(2 398)	18 443	18 626	27 383	21 564	22 467	19 906	18 583

Table 21–Asset Management

Description R thousand	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CAPITAL EXPENDITURE										
<u>Total New Assets</u>	1	12 697	2 454	15 833	17 502	16 101	16 101	14 985	15 782	16 581
Infrastructure - Road transport		2 930	849	6 630	4 868	7 070	7 070	2 685	2 854	3 000
Infrastructure - Electricity		569	–	–	850	850	850	–	–	–
Infrastructure - Water		2 064	1 584	9 163	4 000	740	740	7 000	8 950	7 500
Infrastructure - Sanitation		–	–	–	5 784	2 441	2 441	3 500	1 993	3 997
Infrastructure - Other		4 000	–	–	–	–	–	–	–	–
Infrastructure		9 563	2 433	15 793	15 502	11 101	11 101	13 185	13 797	14 497
Community		–	–	–	2 000	5 000	5 000	1 800	1 985	2 084
Other assets	6	3 134	21	40	–	–	–	–	–	–
<u>Total Renewal of Existing Assets</u>	2	–	–	–	1 400	–	–	–	–	–
Infrastructure - Road transport		–	–	–	1 200	–	–	–	–	–
Infrastructure - Electricity		–	–	–	–	–	–	–	–	–
Infrastructure - Water		–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation		–	–	–	200	–	–	–	–	–
Infrastructure - Other		–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	–	1 400	–	–	–	–	–
Community	–	–	–	–	–	–	–	–	–	–
<u>Total Capital Expenditure</u>	4	–	–	–	–	–	–	–	–	–
Infrastructure - Road transport		2 930	849	6 630	6 068	7 070	7 070	2 685	2 854	3 000
Infrastructure - Electricity		569	–	–	850	850	850	–	–	–
Infrastructure - Water		2 064	1 584	9 163	4 000	740	740	7 000	8 950	7 500
Infrastructure - Sanitation		–	–	–	5 984	2 441	2 441	3 500	1 993	3 997
Infrastructure - Other		4 000	–	–	–	–	–	–	–	–
Infrastructure		9 563	2 433	15 793	16 902	11 101	11 101	13 185	13 797	14 497
Community		–	–	–	2 000	5 000	5 000	1 800	1 985	2 084
Heritage assets		–	–	–	–	–	–	–	–	–
Investment properties		–	–	–	–	–	–	–	–	–
Other assets		3 134	21	40	–	–	–	–	–	–
TOTAL CAPITAL EXPENDITURE - Asset class	2	12 697	2 454	15 833	18 902	16 101	16 101	14 985	15 782	16 581
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport		138 519	137 178	14 380	14 380	14 380	14 380	30 953	30 953	49 646
Infrastructure - Electricity		14 841	28 106	28 237	28 237	28 237	28 237	28 237	28 237	28 237
Infrastructure - Water		20 084	35 207	44 369	60 002	60 002	60 002	60 002	77 845	77 845
Infrastructure - Sanitation		18 765	36 020	36 020	36 020	36 020	36 020	36 020	36 020	36 020
Infrastructure - Other		603	603	603	603	603	603	603	603	603
Infrastructure		192 209	237 114	123 609	139 242	139 242	139 242	155 815	173 658	192 351
Community		1 676	6 145	6 145	6 145	6 145	6 145	6 145	6 145	6 145
Investment properties		10 251	10 251	11 564	–	–	11 564	11 564	11 564	11 564
Other assets		6 384	80 749	83 123	83 123	83 123	83 123	83 123	83 123	83 123
Intangibles		378	246	151	–	–	–	–	–	–
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	210 898	334 504	224 592	228 510	228 510	240 074	256 647	274 490	293 183
EXPENDITURE OTHER ITEMS										
<u>Depreciation & asset impairment</u>		17 570	18 246	17 529	17 244	16 744	16 744	16 544	16 612	16 676
<u>Repairs and Maintenance by Asset Class</u>	3	5 852	2 710	3 312	8 885	6 385	6 385	6 000	8 203	9 455
Infrastructure - Road transport		364	34	291	1 800	400	400	800	1 919	2 336
Infrastructure - Electricity		1 751	927	1 446	1 750	1 650	1 650	1 380	2 019	2 236
Infrastructure - Water		844	512	585	1 200	1 200	1 200	1 000	1 094	1 182
Infrastructure - Sanitation		–	585	185	2 200	1 600	1 600	1 400	1 532	1 655
Infrastructure - Other		52	5	46	–	–	–	–	–	–
Infrastructure		3 011	2 063	2 552	6 950	4 850	4 850	4 580	6 564	7 409
Community		32	84	38	1 935	1 535	1 535	1 420	1 639	2 046
Other assets	6, 7	2 809	563	721	–	–	–	–	–	–
TOTAL EXPENDITURE OTHER ITEMS		23 422	20 956	20 840	26 129	23 129	23 129	22 544	24 815	26 131
<i>Renewal of Existing Assets as % of total capex</i>		0.0%	0.0%	0.0%	7.4%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Renewal of Existing Assets as % of deprecn"</i>		0.0%	0.0%	0.0%	8.1%	0.0%	0.0%	0.0%	0.0%	0.0%
<i>R&M as a % of PPE</i>		2.9%	1.5%	1.5%	6.9%	4.9%	3.3%	3.9%	7.9%	9.9%
<i>Renewal and R&M as a % of PPE</i>		3.0%	1.0%	1.0%	5.0%	3.0%	3.0%	2.0%	3.0%	3.0%

Table 22–Basic service delivery measurement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Household service targets	1									
<u>Water:</u>										
Piped water inside dwelling		4 124	4 124	4 124	4 124	4 124	4 124	4 124	4 124	4 124
Piped water inside yard (but not in dwelling)		4 944	4 944	4 944	4 944	4 944	4 944	4 944	4 944	4 944
Using public tap (at least min.service level)	2	316	316	316	316	316	316	316	316	316
<i>Minimum Service Level and Above sub-total</i>		9 384	9 384	9 384	9 384	9 384	9 384	9 384	9 384	9 384
Using public tap (< min.service level)	3	277	277	277	277	277	277	277	277	277
No water supply		534	534	534	534	534	534	534	534	534
<i>Below Minimum Service Level sub-total</i>		811	811	811	811	811	811	811	811	811
Total number of households	5	10 195	10 195	10 195	10 195	10 195	10 195	10 195	10 195	10 195
<u>Sanitation/sewerage:</u>										
Flush toilet (connected to sewerage)		6 088	6 088	6 088	6 088	6 088	6 088	6 088	6 088	6 088
Flush toilet (with septic tank)		525	525	525	525	525	525	525	525	525
Chemical toilet		86	86	86	86	86	86	86	86	86
Pit toilet (ventilated)		314	314	314	314	314	314	314	314	314
Other toilet provisions (> min.service level)		1 917	1 917	1 917	1 917	1 917	1 917	1 917	1 917	1 917
<i>Minimum Service Level and Above sub-total</i>		8 930	8 930	8 930	8 930	8 930	8 930	8 930	8 930	8 930
Bucket toilet		195	195	195	195	195	195	195	195	195
Other toilet provisions (< min.service level)		266	266	266	266	266	266	266	266	266
<i>Below Minimum Service Level sub-total</i>		461	461	461	461	461	461	461	461	461
Total number of households	5	9 391	9 391	9 391	9 391	9 391	9 391	9 391	9 391	9 391
<u>Energy:</u>										
Electricity (at least min.service level)		9 710	9 710	9 710	9 710	9 710	9 710	9 710	9 710	9 710
Electricity - prepaid (min.service level)		485	485	485	485	485	485	485	485	485
<i>Minimum Service Level and Above sub-total</i>		10 195	10 195	10 195	10 195	10 195	10 195	10 195	10 195	10 195
<i>Below Minimum Service Level sub-total</i>		–	–	–	–	–	–	–	–	–
Total number of households	5	10 195	10 195	10 195	10 195	10 195	10 195	10 195	10 195	10 195
<u>Refuse:</u>										
Removed at least once a week		6 355	6 355	6 355	6 355	6 355	6 355	6 355	6 355	6 355
<i>Minimum Service Level and Above sub-total</i>		6 355	6 355	6 355	6 355	6 355	6 355	6 355	6 355	6 355
Removed less frequently than once a week		103	103	103	103	103	103	103	103	103
Using communal refuse dump		26	26	26	26	26	26	26	26	26
Using own refuse dump		2 725	2 725	2 725	2 725	2 725	2 725	2 725	2 725	2 725
Other rubbish disposal		105	105	105	105	105	105	105	105	105
No rubbish disposal		428	428	428	428	428	428	428	428	428
<i>Below Minimum Service Level sub-total</i>		3 387	3 387	3 387	3 387	3 387	3 387	3 387	3 387	3 387
Total number of households	5	9 742	9 742	9 742	9 742	9 742	9 742	9 742	9 742	9 742
Households receiving Free Basic Service	7									
Water (6 kilolitres per household per month)		1 026	1 026	1 026	1 026	1 026	1 026	1 026	1 026	1 026
Sanitation (free minimum level service)		1 026	1 026	1 026	1 026	1 026	1 026	1 026	1 026	1 026
Electricity/other energy (50kwh per household per month)		1 026	1 026	1 026	1 026	1 026	1 026	1 026	1 026	1 026
Refuse (removed at least once a week)		1 026	1 026	1 026	1 026	1 026	1 026	1 026	1 026	1 026
Cost of Free Basic Services provided (R'000)	8									
Water (6 kilolitres per household per month)		1 620	1 680	1 790	503	610	610	640	659	720
Sanitation (free sanitation service)					321	321	321	358	365	375
Electricity/other energy (50kwh per household per month)					431	431	431	640	643	698
Refuse (removed once a week)					395	395	395	312	450	477
Total cost of FBS provided (minimum social package)		1 620	1 680	1 790	1 650	1 757	1 757	1 950	2 118	2 270
Highest level of free service provided										
Property rates (R value threshold)		20 000	20 000	20 000	25 000	25 000	25 000	25 000	25 000	25 000
Water (kilolitres per household per month)		10	10	10	10	10	10	10	10	10
Sanitation (Rand per household per month)		27	27	28	28	28	28	29	29	30
Electricity (kwh per household per month)		50	50	50	50	50	50	50	50	50
Refuse (average litres per week)		205 200	205 200	205 200	206 100	206 100	206 100	207 300	207 800	208 200
Revenue cost of free services provided (R'000)	9									
Property rates (R15 000 threshold rebate)		8 069	8 921	9 351	11 257	11 257	11 257	12 189	13 226	14 955
Water		1 850	1 880	1 920	603	716	716	740	789	890
Sanitation		–	–	–	341	341	341	358	365	375
Electricity/other energy		–	–	–	531	743	743	770	773	778
Refuse		–	–	–	475	650	650	682	690	727
Total revenue cost of free services provided (total social package)		9 919	10 801	11 271	13 207	13 707	13 707	14 739	15 844	17 725

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Mayor. The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule on 25 August 2013. Key dates applicable to the process were:

- **August 2013**– Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2013/14 MTREF;
- **November 2013**– Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2014**- Review of the financial strategy and key economic and financial planning assumptions by the Finance Portfolio Committee. This included financial forecasting and scenario considerations;
- **24 January 2014**- Council considers the 2013/14 Mid-year Review and Adjustments Budget;
- **February 2014**–Budget recommendations of the Budget Portfolio Committee are communicated to the respective departments. The draft 2014/15 MTREF is revised accordingly;

- **30 March 2014** - Tabling in Council the draft 2014/15 IDP and 2014/15 MTREF for public consultation;
- **April 2014**— Public consultation;
- **1 May 2014**- Closing date for written comments;
- **2 to 29 May 2014**— finalisation of the 2014/15 reviewed IDP and 2014/15 MTREF, considering comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **30 May 2014**- Tabling of the 2014/15 MTREF before Council for consideration and approval.

There was so far no material deviations from the key dates set out in the Budget Time Schedule tabled in Council.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is a reviewed IDP, resulted from the public participation processes that are valid for the years 2012/13 to 2016/17. It started in September 2012 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Growth and development in the municipal area
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 67 has been taken into consideration in the planning and prioritisation process.

2.2 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The Policies below, attached as Annexure B, had either been developed or reviewed for implementation with effect from 1 July 2014.

No	Policy	Adjustments approved
1	External Loans Policy	None
2	Reimbursement for Travel and Subsistence Policy	None
3	Budget Management Policy	None
4	Bad debts and write off Policy	None
5	Budget Principles Policy	None
6	Virement Policy	None
7	Tariff Policy	None
8	Rates Policy	None
9	Treatment and Valuation of Inventory Policy	None
10	Credit Control Policy	The following were added under par 15.4 "Arrangements for settling a municipal account" : <i>If the electricity supply was disconnected before the arrangement was approved, it shall include an immediate payment of 50% of the total outstanding amount before the connection could be restored.</i> The following were added under par 17.1 "Interruption of Services": <i>Pre-paid electricity consumers will forfeit 50% of the amount tendered to buy electricity at any vending station if their municipal account is in arrear;</i>
11	Banking and Investment Policy	None
12	Cellular Phone Policy	None
13	Overtime Policy	The following were added under par 5 "Limitations": <i>"Overtime worked shall be compensated in terms of monetary value only to those officials working in the Water; Electricity; Sewer; Refuse; Fire and Traffic divisions in execution of the respected essential- and emergency services. The hours allowed to be refunded shall however be limited to 40 hours per month per individual. Overtime</i>

		<i>worked in excess of 40 hours shall be treated the same as for "other officials" mentioned in the next paragraph.</i> <i>Other officials shall be compensated by allowing them to take time off equals to the quantity of hours worked overtime in terms of paragraph 8 below".</i>
14	Asset Management Policy	None
15	Indigent Policy	None

2.3 Municipal Manager's Quality Certification

I, **N.P. MAGWALA**, Municipal Manager of Mookgophong Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the annual budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

NTSIENI PETER MAGWALA

Municipal Manager of Mookgophong Local Municipality (LIM 364)

Signature

..... May 2014